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# Prospects for U.S. Agricultural Exports to Jamaica

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## PREFACE

This report presents results of a June 1969 economic analysis of the growing Jamaican economy. The study was conducted by agricultural economists of the Economic Research Service and the Foreign Agricultural Service, USDA, to evaluate U.S. export expansion potentials and to provide economic information on which to base future export strategies. It emphasizes the agricultural, food marketing, and tourist sectors of the economy and the economic, social, and political forces affecting Jamaican imports of agricultural goods. The research included observation of Jamaican farming and marketing operations and interviews with about 60 businessmen, Government officials, and farmers.

The specific objectives of the study were: (1) to describe and evaluate the food marketing and agricultural sectors and the economic and other forces shaping their growth and development; (2) to assess prospects for expansion of U.S. agricultural exports to Jamaica; and (3) to evaluate alternative U.S. export promotion strategies and methods, including trade fairs and in-store promotion.

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## SUMMARY

From 1963 to 1968, U.S. exports of agricultural products to Jamaica doubled, from \$14.6 million to \$29.1 million. This expansion is continuing. In the first 5 months of 1969, U.S. shipments were 26 percent above exports in the corresponding months in 1968. The United States is Jamaica's principal supplier of agricultural imports, and the U.S. share of Jamaica's agricultural imports, which rose from 33 percent in 1962 to 45 percent in 1967, is rising slowly. The 1968 pattern of U.S. agricultural exports was concentrated in basic materials and semiprocessed goods. This concentration is becoming more pronounced as a result of Jamaica's restrictions on imports of consumer goods and expansion of food and feed manufacturing.

Further growth in U.S. agricultural exports to Jamaica is likely because of (1) the island's growing population and rising consumer incomes, (2) the transportation advantages enjoyed by U.S. exporters, (3) the booming tourist industry, (4) the modest growth potential of Jamaican agriculture, and (5) the increasing economic and cultural contacts between Jamaicans and Americans.

Food consumption in Jamaica is increasing about 2.6 percent a year in response to increases in population, incomes, and tourism. Food buying patterns are also changing as Jamaican consumers upgrade their diets, become more urbanized, and demand more convenience foods. Population growth probably will be near 1.6 percent a year unless there are unexpected changes in birth rates and in net emigration, mainly to the United States. With expected increases in per capita gross national product and consumer incomes of about 2.4 percent a year and an income elasticity of food demand near 0.4, per capita food expenditures are likely to rise about 1.0 percent a year.

The Jamaican tourist industry is expanding at an extremely high rate. The number of tourists to Jamaica almost doubled from 1963 to 1968, and the average length of visit rose to almost 9 days. Nearly 90 percent of the tourists are Americans and Canadians. In 1968, the 400,000 visitors ate about as much food as is consumed in an American city of 10,000 people. By 1975, this market for high-quality food--of which about two-thirds is imported, mainly from the United States--may be  $2\frac{1}{2}$  times as large as it was in 1968.

A comparatively new roll-on, roll-off trailer shipping service is another factor favoring growth of U.S. exports to Jamaica. Currently, these trailer ships operate only between New York, Philadelphia, and Miami to Kingston and Montego Bay in Jamaica. The advantages of this service to shippers, including lower transportation charges, are a partial offset to the tariff preferences enjoyed by Canadian and British Commonwealth suppliers. These preferences are on the order of 10 to 15 percent of product values on most goods.

Jamaica's agriculture, the mainstay of the national economy for centuries, is a declining source of employment. Its share of gross national product continues to fall despite increases in total output. Although climatic and soil conditions in the island permit production of a wide range of crops and livestock, over 30 percent of the national food supply is imported. Furthermore, this import share is rising as total agricultural



output expands less rapidly than total food consumption. The Government of Jamaica is vigorously pursuing a policy of rapid expansion of farm production for domestic needs and of more modest growth of the traditional export crops--chiefly sugar, rum, bananas, citrus fruits, and spices. But modernization of the domestic (nonexport) segment of Jamaican agriculture, with its thousands of small-scale, semicommercial farms, is a formidable undertaking. It is moving forward at a generally modest pace with some important exceptions.

From 1964 to 1968, production of chicken broilers, based on modern methods and industry organization, jumped from 10.4 to 21.8 million pounds, eviscerated basis. This expansion is continuing. The island is now nearly self-sufficient in broilers despite large increases in consumption. Similarly, as a result of large gains in production, Jamaica is now nearly self-sufficient in pork, eggs, mutton and lamb, fresh milk, potatoes, and several fruits and vegetables. In contrast, production of corn, rice, and several other crops has fallen.

The key elements in the Jamaican food marketing system are a few large Kingston importer-wholesalers. Eight firms handle nearly all agricultural imports and a large share of the national food and feed supply. They deliver directly to Kingston retailers and supply retailers in other parts of the island through small wholesalers. Three importer-wholesalers are the main provisioners of the major tourist hotels and restaurants. All are representatives of major foreign food manufacturers, and they distribute many food products under their own labels. Many of these products are processed for them by local manufacturers in which they have substantial financial interest and control. The importer's strong market position is further strengthened by current methods of administering import quotas based on past performance.

Jamaican food manufacturing is expanding at about the same rate as the national economy. The industry produces a growing list of processed foods from domestic and imported raw materials and semiprocessed products. Most of the processing plants are subsidiaries of foreign firms, are controlled by importer-wholesalers, or are Government owned. All are small and many operate below capacity. Some are monopolies protected by import restrictions. Feed manufacturing, although it lacks import protection, may be the fastest growing segment of the industry because of the rapidly rising demand for feed for Jamaica's growing outputs of poultry and livestock.

Like many low-income countries, Jamaica has many small retail food shops. Their number is falling, however, while the number and sales of large self-service food stores, almost unknown in Jamaica a decade ago, are growing. Jamaica now has about 50 supermarkets and "superettes," including about 15 American-size supermarkets. These stores are capturing a rising share of the island's retail food business, especially with the growing number of middle-class families. With family incomes, auto and refrigerator ownership, and female employment rising, and employment of domestic servants falling, further growth of Jamaica's supermarket retailing seems assured. Nevertheless, the nearly ubiquitous, picturesque higgler will remain an important, although declining, element in Jamaican food marketing for many years to come. Most higglers are farmers' wives who market small, diverse lots (contents of a head basket) of produce, mainly fresh fruits and vegetables. The higgler system of

marketing and the Jamaican pattern of small-farm cultivation are highly interdependent. The migration of rural young people to the cities and the growing commercialization of agriculture and food marketing are contributing to the slowly declining role of the higgler.

Jamaica adopted a policy of high and increasing protection of domestic industries in 1964 as an integral part of its broader agricultural and industrial development effort. Jamaica has high tariffs on most consumer products and a growing list of nontariff restrictions on imports of food and other products. In addition, imports from British Commonwealth countries have the important advantage of substantial tariff preferences. These barriers to trade, no doubt, will have adverse impacts on exports of many U.S. products to Jamaica. In addition, the import restrictions and expansion of domestic food and feed manufacturing are shifting the pattern of Jamaican agricultural imports toward basic commodities and semiprocessed products. This change in the import pattern, however, is not wholly adverse to the United States. In fact, it may be a factor in the rising U.S. share of Jamaica's agricultural imports. The United States holds a strong competitive position in world markets as a supplier of such basic materials as food and feed grains, feed-stuffs, and vegetable oils and meals.

Because prospects for continuing expansion of U.S. agricultural exports--especially basic commodities and semiprocessed products--to Jamaica appear favorable, there seems to be no present need for a USDA trade fair or instore promotion with Jamaican retailers and importers. But a less costly promotion of a limited number of high-quality foods with the booming Jamaican tourist industry could be highly beneficial. At the same time, efforts directed toward expansion of the roll-on, roll-off trailer shipping services to Jamaica, toward reduction of high Jamaican tariffs on selected food products, and toward relaxation and other improvements in administration of Jamaican import quotas could have favorable impacts on U.S. agricultural exports to Jamaica.



# PROSPECTS FOR U.S. AGRICULTURAL EXPORTS TO JAMAICA

by

Norris T. Pritchard,  
William P. Huth, and Nick Havas 1/

## INTRODUCTION

For thousands of Americans, Jamaica is a picturesque Caribbean vacation-land. For U.S. farmers and food processors, the island is a small but growing market for U.S. goods.

From 1963 to 1968, U.S. exports of food and agricultural raw materials to Jamaica increased from \$14.6 million to \$29.1 million. In the first 5 months of 1969, U.S. shipments of these commodities were 26.2 percent above exports in the corresponding months in 1968. 2/ The United States is Jamaica's principal supplier of agricultural imports. Other major suppliers are Canada, Australia, New Zealand, the United Kingdom, and the European Economic Community. In recent years, the U.S. share of Jamaica's agricultural imports has increased significantly--from 33 percent in 1961 and 1962 to 45 percent in 1967. 3/ The 1969 share may be slightly higher.

In 1968, the principal U.S. agricultural exports to Jamaica (in millions of dollars) were prepared animal feeds and feedstuffs, 5.9; tobacco, 2.2; corn, 2.1; wheat flour, 1.5; animal and vegetable fats and oils, 1.4; nonfat dry milk, 0.8; poultry meat, 0.8; wheat, 0.8; hatching eggs, 0.8; fresh beef and veal, 0.8; and salt pork, 0.5. The other \$7.7 million of exports embraced a wide range of food products and agricultural raw materials. 4/

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1/ Norris Pritchard and William Huth are agricultural economists in the Foreign Development and Trade Division (FDTD), Economic Research Service (ERS). Nick Havas is an agricultural economist in the International Trade Fairs Division of Foreign Agricultural Service. Barbara Blair, economic assistant, FDTD, ERS, gave valuable research assistance in the study.

2/ Computed from special tabulations of U.S. agricultural exports prepared for ERS by the U.S. Bureau of the Census.

3/ In 1967, the U.S. share of Jamaica's imports of all commodities was 38.6 percent, compared with 27.8 percent in 1962 (7), (8). Underscored numbers in parentheses refer to Literature Cited as listed at the end of this report.

4/ In the first 5 months of 1969 compared with the corresponding months in 1968, substantial increases were made in exports of poultry (except chicken) meat, fresh pork, hatching eggs, wheat, rice, corn, baby foods, breakfast cereals, soybean oil and meal, inedible tallow, and miscellaneous food preparations. Sharp decreases took place in exports of prepared feeds, onions, cured beef, most fruits, and vegetable oils (except soybean oil).

## THE ISLAND

### Geography

The island of Jamaica lies in the Caribbean about 90 miles south of the eastern end of Cuba. It has an area of 4,411 square miles, a maximum (east-west) length of 146 miles, and a maximum width of 51 miles. Much of the island is mountainous. The highest elevation is 7,400 feet above the sea. There are, however, some fertile coastal plains and mountain valleys suitable for agriculture (5). The tropical climate is moderated by offshore breezes and permits production of a wide variety of crops. The pleasant climate and miles of fine beaches, mainly on the northern shores, are the basis of an expanding tourist industry.

### Population

The population of Jamaica was estimated at 1,923,000 as of December 1968 (4). The 1958-68 population growth rate was 2.0 percent a year. For 1962-66, it was 2.3 percent a year. In 1962 the birth rate began to fall, and in 1966 net emigration increased sharply. As a result, the net population increase fell to 1.9 percent in 1967 and to 1.6 percent in 1968.

The population growth rate from now through 1975 will depend mainly on two factors, both of which are difficult to estimate. The rate of net natural increase, still high at 2.6 percent a year, is declining. The Ministry of Health, with assistance from the U.S. Agency for International Development and private and international organizations, greatly expanded its family planning program in 1967 and 1968 to encourage further decreases in the birth rate (4). The currently high rate of net emigration, about 20,000 people a year, depends on the desire of Jamaicans to emigrate and on the immigration policies of the principal destination countries--the United States, Canada, and the United Kingdom. 5/ On the basis of a 2-percent annual growth rate, the 1975 population will be about 2,210,000, compared with the more probable estimate of 2,154,000 based on a growth rate of 1.6 percent a year.

Good estimates of the rural-urban division of the population are not available, but all observers agree that the rural percentage is falling. 6/ The rapidly growing Kingston metropolitan area probably has more than 500,000

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5/ Jamaican economists appear to feel that the current rate of emigration will continue (4). The 1968 level of 16,737 Jamaicans emigrating to the United States under permanent residence visas, compared with only 5,003 in 1966, reflects the removal of a U.S. quota on Jamaican migration in Dec. 1965. In July 1968, the United States placed a limit of 120,000 immigrants from Western Hemisphere countries, without individual country quotas. Applications for entry visas are handled on a first-come, first-served basis. This improves the chances that Jamaica's 1968 emigration rate will be maintained.

6/ Results of recent labor force surveys, when available, are expected to provide useful estimates on employment by economic sectors (4).

people. Other cities--such as Montego Bay, Ochos Rios, Mandeville, Spanish Town, and Christiana--also are growing at high rates. An estimated 750,000 Jamaicans--or about 38 percent of the population--are in the nation's labor force, of which, perhaps, 15 percent are unemployed.

### Government

Jamaica was a British Crown Colony for more than three centuries, beginning in 1655. In 1958, the island became part of the Federation of the West Indies, from which it withdrew in 1961. In August 1962, Jamaica became a fully self-governing dominion in the British Commonwealth of Nations. Jamaica has a parliamentary form of government. Primary political power resides in the House of Representatives, whose members are elected under a system of universal suffrage. Jamaica has only two major political parties, both of which depend heavily on the support of organized labor. The Prime Minister, and leader of the majority party, is the de facto chief executive, since the Governor General, appointed by the British Crown, has mainly ceremonial powers. Jamaica is a member of the United Nations, the General Agreement on Tariffs and Trade, the Organization of American States, and several other international organizations.

### Natural Resources

Jamaica's chief mineral resource is bauxite, the raw material for alumina and aluminum. Since 1957, Jamaica has been the world's largest producer of bauxite and alumina, and these commodities are Jamaica's principal exports (5). Most of these exports, valued in 1968 at nearly \$107 million, go to Canada, Norway, and the United States (4). A rising percentage of Jamaica's bauxite is being converted by a chemical process to alumina prior to export. But the next step, converting the alumina into aluminum, is not economic in Jamaica because of a lack of low-cost electric power.

The growth of bauxite mining and alumina processing, which together account for almost 10 percent of Jamaica's gross domestic product, has been a major factor in the economic development of the island. The industry is dominated by subsidiaries of American and Canadian companies. Jamaica also has substantial deposits and exports of gypsum and huge deposits of limestone. The Government and private firms are conducting intensive searches for other valuable resources.

## THE ECONOMY

### National Income

Jamaica has achieved substantial economic growth since 1950. From 1950 to 1962, gross national product rose 261 percent--mainly because of development of the island's bauxite deposits (5). In more recent years, the economy has grown at a more modest rate. From 1959 to 1968, Jamaica's GNP increased about 88 percent, or about 7.3 percent a year, from J\$420.4 million



to J\$791.4 million. Per capita GNP increased from J\$263.0 to J\$413.8, or 5.2 percent a year. 7/ In constant prices, 1959-68 growth in GNP was close to 4.5 percent a year, and real per capita growth was about 2.4 percent annually.

As table 1 shows, economic growth has been accompanied by significant changes in the structure of the economy. The growing industrialization of the Jamaican economy is particularly evident in the shares of gross domestic product contributed by bauxite mining and processing, manufacturing, construction, public utilities, finance, and government. The boom in tourism is masked in the broader services sector. As expected in a rapidly industrializing nation, agriculture's share of GNP fell sharply.

Table 1.--Percentage contribution of economic sectors to gross domestic product in Jamaica, 1959 and 1968

Sector	1959	1968
	<u>Percent</u>	
Agriculture, forestry, fishing .....	13.2	10.2
Export agriculture .....	(5.8)	(4.3)
Domestic agriculture .....	(6.2)	(4.9)
Mining .....	8.2	9.8
Manufacturing .....	13.8	15.1
Construction .....	12.1	12.5
Electricity, gas, water .....	1.1	1.4
Transportation and communication .....	7.7	7.4
Wholesale and retail trade .....	17.7	13.7
Finance .....	4.0	4.5
Ownership of dwellings .....	3.1	3.1
Government .....	6.0	9.1
Miscellaneous services .....	13.1	13.2
All sectors .....	100.0	100.0
	<u>Million £</u>	
Gross domestic product (factor cost) ..	198.3	371.1

Source: Computed from data in (7) and (4).

7/ In Sept. 1969, Jamaica decimalized its currency and adopted the dollar as its monetary unit. The new Jamaican dollar exchanges for U.S. \$1.20, or exactly half of the old Jamaican pound. The conversion was not a currency devaluation or appreciation.

The Government of Jamaica is important in the economy and in national economic development. Its role is more an influencing and stimulating one than a controlling one. That is, greater emphasis is placed on private enterprise than on Government ownership and management. Foreign investment is welcomed, especially in mining and manufacturing. Economic development policy includes investment in essential infrastructure and incentives to private business. Among the incentives are direct financial aid, remission of customs duties on capital equipment, income tax holidays, tariff and nontariff import protection in the domestic market, and other economic and technical assistance. The major Government agencies, in addition to the established ministries, for carrying out specific agricultural and industrial development programs are the Agricultural Marketing Corporation, the Agricultural Development Corporation, the Industrial Development Corporation, the Tourist Board, and the Development Finance Corporation.

### Agriculture

Agriculture was the mainstay of the Jamaican economy for centuries. The sector continues to be the largest, although a declining, source of employment, engaging some 35 to 40 percent of the labor force. About 63 percent of Jamaica's 1.1 million hectares of land are estimated to be in agricultural uses (5). Nearly a third of all farmland is devoted to crops and almost 40 percent is pastureland. From 1963 to 1968, agricultural output in Jamaica increased an estimated 9 percent to about \$82.5 million. But the sector's share of GNP fell sharply from 12.3 to 9.2 percent. Also, the rise in agricultural production, with some important exceptions, failed to keep pace with the estimated increase of nearly 37 percent in consumer expenditures for food.

Hard facts about the nature of Jamaican agriculture are not abundant. A census of agriculture, the first since 1943, was initiated in December 1968, and the results are not yet available (4). It is, however, generally believed that the basic structure of Jamaican agriculture is changing rapidly. Numbers of farms and farmers are declining as rural young people forsake farming for more attractive city jobs. Average farm size probably is increasing, but great extremes in the sizes of holdings remain. A few large estates of 500 and more acres, producing sugar, bananas, and coconuts, occupy almost 40 percent of all farmland. They have a much higher percentage of the best cropland in the coastal areas and mountain valleys. At the other extreme, more than 70 percent of all farms have only 4 acres or less of generally poorer quality land. Many of these farms are on hillsides and in small mountain valleys relatively remote and isolated from major urban markets.

For many years, Jamaica has exported sugar (including rum and molasses), bananas, and citrus fruits. Other agricultural exports include cocoa, coffee, tobacco, pimento, and ginger. Falling production of coconuts, as a result of lethal yellowing disease, has eliminated exports of copra and coconut oil. With the exception of pimento and tobacco, the performance of the export segment of Jamaican agriculture has not been outstanding, and the export crops' share of total farm output fell below 45 percent in 1968.



Most of the recent growth in Jamaican agriculture has been in a few crops and livestock products produced primarily for the expanding domestic market. The trends toward expansion of outputs for the domestic market and relative stability of outputs of traditional export crops is in accord with the Government's policy for agriculture.

A wide variety of crops, both tropical and temperate, can be grown in Jamaica because of the large variations in altitudes, temperatures, and rainfall on the island. A variety of vegetables, starchy root crops, and pulses, grown mainly on small farms, form the bulk of the diet of the people, especially in rural areas. Among the crops produced for domestic use, the largest output increases for 1964-68 were in green and red kidney beans, carrots, sweet corn, cucumbers, dasheens, lettuce, onions, cow and gungo peas, pineapple, plantains, white potatoes, pumpkin, tomatoes, turnips, watermelon, and yams. On the other hand, production of rice, corn, sweet potatoes, yuca, and a few other crops fell.

Jamaica's small beef and dairy outputs have increased little in recent years, while outputs of pork, mutton, eggs, and chicken broilers have climbed sharply. Pork production rose from 8.2 million pounds in 1964 to 10.8 million pounds in 1968. Mutton production increased from 5.2 million to 6.2 million pounds in the same period. Egg production rose sharply to more than 15 million dozen. But the outstanding performer was the broiler industry. Using modern techniques, producers more than doubled broiler output from 1964 to 1968--from 10.4 million pounds (eviscerated basis) to 21.8 million pounds. These output trends are continuing. As a result, Jamaica has achieved self-sufficiency in table eggs (at a low level of consumption) and is close to self-sufficiency in fresh milk, chicken meat, and fresh pork.

The agricultural policy of the Government of Jamaica seeks expanded output of food for domestic consumption, reduction of Jamaica's dependence on imports for essential foods, more efficient use of land and other agricultural resources, limited land reform, and higher standards of living for rural people. Greater emphasis is placed on expansion of domestic production of food to meet growing domestic market demand than on expansion of outputs of the traditional export crops--mainly sugar (rum and molasses), bananas, and citrus fruits. This emphasis reflects a need to maintain present levels of foreign exchange earnings from the traditional exports while attempting to reduce foreign exchange expenditures for food imports.

The Government assists in the financing of small farms through the Agricultural Credit Board. It has limited programs of land reform and development of selected areas having substantial agricultural potential. Other programs cover improvements of farm structures, crop and livestock production, irrigation, rural roads, research (including agricultural product utilization studies), and general and technical education, and improvements in processing, storage, and distribution facilities and operations. The Agricultural Marketing Corporation, a Government agency, attempts to stimulate greater outputs of some products through price guarantees, assured markets, and grading and market information services. The Corporation owns and operates a large wholesale-retail facility in

Kingston and a network of buying stations in rural areas. Several official marketing boards, such as the Coconut Industry Board, have a long history of promoting production and orderly marketing of the major export crops. These domestic agricultural programs are supplemented by an expanding set of quantitative restrictions on imports of foods and other farm products. By banning or limiting competitive imports, the domestic market is assured to domestic farmers and food manufacturers. The primary exceptions to these restrictions are products required by the tourist industry, imports needed when domestic production falls short of domestic market needs, imports of raw materials essential in selected manufacturing uses, and, of course, products not produced in Jamaica. On the other hand, the Jamaican Government does not discourage foreign investments in Jamaican agriculture and food processing if they have much potential for agricultural and industrial development.

### Food Importers and Wholesalers

The major food importing and wholesaling companies are key elements of the Jamaican food marketing system. They handle a large but undetermined share of the national food and feed supply and have substantial financial interests in and control over the food manufacturing sector. Although the number of food importers and wholesalers in Jamaica could not be determined in this study, probably no more than eight companies handle significant volumes. A much larger number of small wholesalers, some of whom also are retailers, operate mainly outside the Kingston area.

All of the major food importers are in Kingston. All are also wholesalers in the Kingston area. Three of them have most of the hotel-restaurant provisioning business, with one claiming a share of 60 percent. None of the large importer-wholesalers restrict their operations to foods. The largest among them are directly engaged in food and feed processing and have substantial interests in shipping, manufacturing, distribution of nonfoods, and other business ventures.

All of the major importer-wholesalers have exclusive agency arrangements with foreign food manufacturers, including makers of several well-known U.S. national brands. These arrangements are one of the major reasons for the small volume of direct importing by the large food retailers and hotels.

The importer-wholesalers deliver their products directly to stores, hotels, and restaurants in the Kingston area. Delivery includes the work of checking store inventories and stocking supermarket displays and shelves. This practice, which probably raises delivery costs more than it reduces store labor costs is, in part, responsible for the high importer-wholesaler margin of about 9 to 12 percent. <sup>8/</sup> Some wholesalers send their trucks to

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<sup>8/</sup> The importer-wholesalers interviewed in this study claim that their margins average well below 12 percent. One said his average is 6 percent. On the other hand, a large food manufacturer claimed to have certain knowledge that on his products the wholesale margin is 12 percent of the wholesale price and the supermarket margin is 16.67 percent of the retail price.



Montego Bay and other resort areas outside Kingston to make direct deliveries to major resort hotels. Otherwise, they distribute through small wholesaler-retailers.

Several importer-wholesalers merchandise a variety of fruit juices, jams, jellies, preserves and other canned and packaged goods under their own labels. These products are processed for them by local and foreign manufacturers under a variety of business arrangements. Several Jamaican food processors appear to be controlled by the importers through direct equity investments or close family connections. In other cases, control appears to be exercised through processing contracts or through the processors' need for the short-term credits supplied by the importers. 9/ Some of the processed foods are made from imported raw materials and semiprocessed foods. 10/ The importers usually handle these imports and frequently deliver them to processors operating under contract to the importers, who retain title to the goods.

In addition to their control over the food manufacturing sector, the importer-wholesalers have interests in some of the hotels, in shipping, and in other businesses. The retailers and most of the tourist industry, however, are basically independent except for dependence in specific cases on the importer-wholesalers for short-term credit. Finally, there appear to be some linkages among the major importing firms themselves, including family connections, that may affect the nature and intensity of competition among them.

Jamaica's extensive system of import licenses is another important factor that strengthens the importers' market position. To support its program of agricultural and industrial development, Jamaica usually restricts or prohibits imports of products that are also made in Jamaica. Often, only the consumer-packaged products are banned, while the same items are freely imported in bulk because the Jamaican processor has only a packaging operation. 11/ Normally, import quotas are granted to firms with an established history of importing. In practice, this means the principal importers. Individual quotas are also usually fixed as a percentage of an historical base. This simple procedure gives the large, established importer-wholesalers a strong market position. According to some of their customers, this strength has been displayed in recent years by a widening of wholesale margins. One retailer declared that the importers' controls over import quotas, local processing firms, and agency rights for foreign food products are a strong deterrent to a direct challenge to their market position. Another retailer who imports a few products directly from a Miami wholesaler indicated that the number of "free" products is limited.

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9/ It was not possible in this study to obtain a complete picture of the complex pattern of financial, family, and contractual arrangements among the principal food importing and manufacturing companies.

10/ Examples include wheat flour, some frozen and canned vegetables and soup, tomato catsup, ice cream, yogurt, and reconstituted fruit drinks.

11/ This is especially true of frozen vegetables. The study team also came across a "manufacturer" of toilet paper whose operation consisted of making bathroom-size rolls from larger rolls imported from Canada.

None of the importer-wholesalers appear to be owned or controlled by foreign firms. However, several are involved in joint feed manufacturing and food processing ventures with foreign companies or have equity investments in Jamaican companies in which foreign firms also have a major interest. In addition, over many years of operation, the importers have developed strong commercial relationships with their foreign suppliers.

### Food Manufacturing

Manufacturing in Jamaica contributed about 15 percent of the 1968 gross domestic product (table 1). Food processing (including sugar, rum, and molasses) was about 31 percent of total manufacturing and slightly over 5 percent of GDP. Without the sugar group, food processing was about 20 percent of all manufacturing. In recent years, expansion in food manufacturing (excluding sugar) has kept pace with growth in the total manufacturing sector (4).

The Government of Jamaica accords high priority to rapid growth in manufacturing, especially of nonfood products. The Jamaican Industrial Development Corporation, an agency of the Ministry of Trade and Industry, promotes industrial expansion and works closely with private firms, both domestic and foreign, in establishing new industrial enterprises. The Government provides a variety of tax incentives, import restrictions, and other aids to industry to stimulate growth. <sup>12/</sup> But in this industrial development program, food manufacturing appears to have a lower priority than other manufacturing.

The Jamaican food manufacturing industry produces a large variety of products. They include fresh and condensed milk, ice cream cones, milk-based food supplements, sugar, rum, molasses, gin, beer, cocoa products, coffee, canned fruits and juices, jams and preserves, canned and frozen vegetables, bread, other bakery products, confectionery, jelly crystals, spices, coconut products, margarine and other vegetable oil products, flour, pork and pork products, beef, chicken meat, several specialty food products, and animal feeds.

No attempt was made in this study to conduct a comprehensive survey of Jamaica's agricultural products processing industry. However, interviews were completed with executives of the major firms producing bread, other bakery products, margarine and salad oils, flour, milk, ice cream, fruit juices, specialty foods, canned and frozen fruits and vegetables, and animal feeds. Additional information was obtained from food importing firms that have financial interests in the industry.

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<sup>12/</sup> As of Mar. 31, 1968, 112 factories had been established under the Industrial Incentives Law, 40 under the Export Industry Encouragement Law, and 20 under the Pioneer Industries Encouragement Law. They provided employment in 1968 for about 11,000 Jamaicans (6).

An important feature of the Jamaican food processing industry is the significant penetration of American and other foreign capital and management. For example, the island's largest bakery and its only flour mill are subsidiaries of large American companies. Most, if not all, Jamaican feed mills are joint ventures with American feed companies. The two large, integrated broiler companies that account for about 90 percent of Jamaica's broiler output are partly owned by American feed and poultry companies. The island's only condensery is a subsidiary of a Swiss company. Other Jamaican firms are allied with foreign firms in purchasing raw materials and equipment and as licensees in manufacturing well-known international brands.

Extent of Government involvement is another important characteristic of the food processing industry. The Government owns and operates Jamaica's only food freezing plant. The island's only processor of copra, coconut products, margarine, and other vegetable oils is a subsidiary of the Coconut Industry Board, four of whose nine members are Government appointees. Other industry groups are also active in processing. Then, as mentioned earlier, the major food importing firms own or control several processing firms--particularly in biscuits (cookies), jams and preserves, ice cream, fruit juices, and canned fruits and vegetables. Thus, only a small share of Jamaica's food manufacturing industry is both completely domestic and independent.

Still another striking feature of the food manufacturing industry is the high import content of its products. The flour mill imports its total wheat requirements and produces only one grade of baking flour. <sup>13/</sup> Processors of fruit juices (other than citrus) import concentrates and sell single-strength juices. The food freezing plant processes small quantities of domestic products, but its principal operation is retail packaging of frozen vegetables imported in bulk from the United States. The manufacturer of margarine and other vegetable oil products imports semiprocessed vegetable oils mainly from the United States. Ice cream manufacturing is based on imported milk solids. In short, much of Jamaica's food manufacturing is concentrated in the final stages of the total manufacturing process. This requires large imports of semiprocessed goods.

As is characteristic of small markets, the number of firms active in each product line is small. Most firms are small, and many operate well below maximum capacity. <sup>14/</sup> Single firm monopolies produce flour, condensed

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<sup>13/</sup> The flour sold in retail stores and the flour needed by the biscuit manufacturer are imported.

<sup>14/</sup> George Beckford, agricultural economist, University of the West Indies, estimates that outputs as a percentage of capacity in food manufacturing currently are: dairy products, 33 percent; confectionery and jelly powders, 39 percent; fruit and vegetable canning, 48 percent; coffee products, 50 percent; meat products, 63 percent; and coconut and other vegetable oil products, 73 percent (3). These generally low levels of utilization of plant capacities may account for the Government's apparently low priority on encouragement of new investment in food manufacturing.



milk biscuits (cookies), and margarine, salad oils, and related products. The largest bakery dominates the baking industry. <sup>15/</sup> About 90 percent of all broiler production is shared by two firms, and milk and ice cream production also are highly concentrated. Fruit and vegetable canning, with 12 or 13 firms, is the least concentrated of all the food processing groups.

With the exception of the feed mills, the processing industry enjoys substantial tariff and nontariff protection from imports. The small scale of many of the plants may make this protection essential for survival. The feed mills have substantial protection from the differential in shipping costs for bulk ingredients and for prepared animal feeds. Mill operators indicated that this margin of about \$10 per ton is adequate for profitable operations without the support of import restrictions. <sup>16/</sup> Although wages in food processing plants are low by U.S. standards--mostly 45 to 50 cents an hour--plant managers indicated that average outputs per worker also are lower. A few skilled plant workers are paid about 90 cents an hour. Plant managers also indicated that they face difficult problems in quality control, efficiency, sanitation, and procurement of basic materials. In short, without the market protection given by Jamaican tariffs and nontariff restraints on imports, some food processors in Jamaica would not survive for long.

### Food Retailing

Jamaica had 17,926 food stores in 1964, or about one per 100 people. As might be expected with so many stores, most of them were extremely small. Only 42 had gross sales of more than \$84,000 in 1964, and more than 17,000 had 1964 sales below \$14,000 per store. Almost 15,000 were in rural areas. <sup>17/</sup> Leading wholesalers and retailers agree that store numbers have declined sharply in more recent years and will continue to fall in the years ahead. But good estimates of current numbers and the disappearance rate could not be obtained.

Supermarkets and superettes, almost unknown in Jamaica a decade ago, are growing in number. There may now be about 50 supermarkets and superettes, of which perhaps 15 can be called supermarkets by American standards. They are capturing an increasing share of the island's retail food business, especially among the growing number of middle-class families.

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<sup>15/</sup> Jamaica has about 100 bakeries, nearly all very small.

<sup>16/</sup> A USDA study of feed manufacturing lends support to this claim: It shows that average costs of well-managed U.S. mills are in the range of \$3 to \$7 per ton. Large mills generally have lower costs than small ones (<sup>12</sup>). Most Jamaican mills are small; and while they pay lower wages than U.S. mills, their capital, power, and storage costs probably are higher. The likelihood of import protection for prepared animal feeds is low because of the adverse impacts higher feed prices would have on domestic poultry, dairy, and livestock production.

<sup>17/</sup> These data were obtained from a reliable trade source, but their accuracy could not be ascertained.

Personal examination of Jamaica's retail food stores revealed extreme contrasts. One new supermarket in an upper income residential section of Kingston is ultramodern and luxurious in design and equipment, including wall-to-wall carpeting. Not far away is a discount department store with a full-scale supermarket occupying about one-third of the store area. In less affluent districts, the supermarkets are almost spartan in equipment and design. Kingston supermarkets carry about 5,000 to 6,000 items, including many convenience foods. Well-known American brands occupy a large share of the total shelf space. Some of these foods, however, are produced by Canadian, British, and Australian subsidiaries, or by Jamaican licensees, of American companies. Big U.S. (international) food manufacturing companies, as a rule, ship their products to Jamaica from whichever plant can put the goods into Kingston at the lowest prices. Major factors affecting these landed prices are the subsidiaries' costs and prices, Commonwealth tariff preferences, and shipping costs.

Throughout Kingston and rural Jamaica, there is a declining but still large number of small food stores. Many have less than 200 square feet of sales area. They stock only a few dry and canned groceries and a few non-food items. All appear to operate on the counter-service basis. The owners also seem to lack an elementary knowledge of modern merchandising methods. Sales per customer frequently are low. In these small shops, customers often buy only three eggs, a half-loaf of bread, a quarter-pound of margarine, or three cigarettes. 18/ Margins on such "penny" trade are high, and trade sources estimate that prices in the small shops average 10 percent or more above supermarket prices.

In the Kingston area, both large and small food stores are serviced directly by the importer-wholesalers and also by the bakery and ice cream companies. Deliverymen for these distributors also stock the store shelves. 19/ Outside Kingston, the importer-wholesalers distribute mainly through small wholesalers. Direct distribution in Kingston is a comparatively recent development that has eliminated nearly all the small wholesale houses. In the rest of the island, the small size of most stores and high delivery costs encourage reliance on the traditional, less direct distribution channel. Several former Kingston wholesalers have become major food retailers.

Jamaica appears to have only two corporate food chains, no consumer cooperatives, and no voluntary chains or retailer-cooperatives. Both of the food chains are small. One has five supermarkets and the other has four. Several other retailers operate two stores each. Like the small shops, the food chains purchase nearly all their merchandise from the

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18/ With this market in mind, Salada Foods (Jamaica), Ltd., recently began to market a packet of instant coffee containing only enough to make a single cup.

19/ The manager of 1 chain would like to eliminate this practice if the importers would reduce their prices by the amount they save in delivery costs. In addition to the net savings in his costs, he would have better control over his shelf space.

Kingston importer-wholesalers. Only one large retailer reported direct importing, mainly nonfoods, from a Miami wholesaler. Another retailer indicated serious interest in bypassing the local importer-wholesalers. The difficulty of securing essential import licenses, the limited number of products not under import restriction, and the exclusive agency arrangements between foreign manufacturers and Jamaican importers are major deterrents to initiating direct procurement of imported products.

Food retailing in Jamaica appears to be almost completely in the hands of Jamaican firms. A supermarket chain is an exception. It is a subsidiary of a firm in Trinidad which, in turn, is controlled by an American trading stamp company. Nevertheless, the design, management, promotion practices, and operations of Jamaican supermarkets indicate substantial American influence. Each Wednesday, for example, the supermarkets place their advertisements of special weekend promotions in the principal Kingston newspaper, The Gleaner. 20/ Some of the supermarket owners and managers have had training or work experience in food retailing in the United States. All displayed considerable knowledge of both American food products and food retailing techniques.

### Higglers

Higglers, thousands of them, have been a major element in Jamaica's food marketing system for generations. Most higglers are farmers' wives. They are firmly established in the business of assembling small, diverse lots of produce, mainly fresh fruits and vegetables, from relatively remote and isolated little farms and distributing their wares in Kingston and other cities and towns. 21/ Most of them sell produce from their own farms plus items purchased from neighbors. Few purchase their entire supply for resale.

The higgler usually transports herself and her produce to the city by public bus. A few come in private trucks operating over rural routes specifically to provide this service. On arrival in Kingston, some go to their own stalls in the Coronation Market, the main produce market; others, putting their big baskets of produce on their heads, walk to stores, restaurants, and homes to sell their products; and many simply select a spot on a sidewalk to await arrival of city customers. Higglers also can be seen along the principal roads in rural areas and in the smaller Jamaican towns. For the tourist, they are indeed a colorful aspect of the Jamaican scene. 22/

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20/ The importer-wholesalers pay part of the cost of these advertisements and also assist retailers in planning the weekly special promotions.

21/ Because of the inadequacies of Jamaica's road system, small farms only a few miles from Kingston are relatively remote and isolated. Some are accessible only on foot.

22/ The higgler balancing her heavily laden basket on her head and wearing her distinctly rural costume is a favorite subject of Jamaican wood-carvers and other artists. The tourist industry also features photographs of her in its advertising.



Although the net earnings and volume of produce handled by each higgler are extremely small--the contents of a large head basket each day--the total volume handled by the thousands of higglers active in Jamaica must be large. This volume is, of course, unknown. One evidence of the higglers' importance in marketing domestically produced fresh fruits and vegetables is the absence of these products in most retail stores. Even the produce departments in the supermarkets are small and generally unattractive. The wholesalers also lack produce departments.

As Finner (3) and Mintz (10) have concluded, higglers will be an important part of the Jamaican food marketing system for years to come. This system of marketing and the Jamaican pattern of small-farm cultivation are highly interdependent. As long as there are small farmers who can sell only several hands of bananas, a few breadfruit, a dozen eggs, and so on, large-scale buyers with comparatively high assembly costs will have difficulty competing with the higgler. She has ample time for higgling and she has few alternatives--chiefly domestic service, which has a lower social status. In the future, however, higglers probably will play a declining role in marketing the products of domestic agriculture. The migration of rural young people to the cities and the growing commercialization of agriculture and food distribution, abetted by such modern organizations as the Agricultural Marketing Corporation, are contributing to this decline.

### The Tourist Industry

Tourism has grown recently into one of Jamaica's leading industries. Tourist hotels employ about 10,000 people directly and other thousands indirectly. The industry is second only to bauxite mining and alumina processing as an earner of urgently needed foreign exchange (6).

The Jamaica Tourist Board estimates that the number of visitors to the island increased from 191,300 in 1959 to 396,300 in 1968, or 107 percent. Nearly all of this growth came in the 5 years after 1963 (9). Political turmoil in Cuba, improvements in air transportation, and rising affluence in North America were major factors in this growth. Total tourist expenditures have increased more rapidly than the number of visitors because of rising prices and a much greater increase in numbers of visitors arriving by air than by ship. Air travelers stay longer and spend more money in Jamaica than cruise ship passengers. By 1968, the average length of visit for all tourists had increased to 8.5 days, and tourist expenditures were about \$88 million (9). This is nearly \$220 per tourist, exclusive of transportation costs.

In 1969, the number of visitors to Jamaica may rise to 450,000 and expenditures are likely to exceed \$100 million. The Jamaica Tourist Board estimates that the industry will increase the number of tourist beds from 9,600 in 1968 to 20,000 in 1972. The industry apparently anticipates that the number of visitors will about double from 1968 to 1972 and rise to 1 million or more by 1975. Also, well before 1975, tourism may become Jamaica's foremost earner of foreign exchange.

The Jamaica Tourist Board estimates that 78 percent of the visitors in 1968 came from the United States. Nearly 10 percent arrived from Canada (9). For U.S. exporters of food products, these percentages are important. The Jamaican tourist industry naturally seeks to meet its customers' demands for American foods as well as for American-type services and accommodations. The industry imports about two-thirds of its food requirements, and the United States is the leading supplier of most products. Nearly all imported products are purchased through three Kingston importer-wholesalers. Some hotels buy a fraction of their needs, particularly fresh fruits and vegetables, from higglers. One hotel manager interviewed in this study regularly imports, by air freight, portion-controlled cuts of meat from a Miami firm because this type of product (or service) is not available in Jamaica.

The importance of the Jamaican tourist industry to U.S. exports of high quality foods may be illustrated by fresh beef and veal. The United States lags behind Australia and New Zealand as a supplier of fresh and frozen beef and veal to Jamaica. 23/ But almost all of the \$816,000 of U.S. exports of fresh beef and veal to Jamaica in 1968, plus a smaller amount from Canada, went to the "better" hotels and restaurants. Trade sources estimate that there are about 70 of these establishments. Domestic, Australian, and New Zealand beef moves mainly through wholesale-retail channels to the resident population. 24/

With an average stay of nearly 9 days, the 400,000 visitors to Jamaica in 1968 required about as much food as an American city of 10,000 people. By 1975, this market for high-quality foods may be 2 to 2½ times as large as it was in 1968.

Of necessity, the Government of Jamaica currently exempts the tourist industry from its nontariff restrictions on imports of many foods and other products. At the same time, the industry is a target of official and other campaigns urging Jamaicans to buy domestic products, and the hotels and their suppliers report increasing difficulties in obtaining essential import licenses. 25/ There is no doubt that the tourist industry is sensitive to these pressures. But the critical question, as the hotel buyers and provisioners indicated, is whether Jamaican farmers and food manufacturers can

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23/ In 1967, the United States supplied about 25 percent of Jamaica's imports of fresh and frozen beef and veal, against nearly 65 percent from the 2 major suppliers. Canada was fourth with a share of about 9 percent (8).

24/ Jamaican tourist hotels and restaurants buy mainly U.S. Choice and U.S. Prime beef. Domestic, Australian, and New Zealand beef is somewhat lower in quality and price.

25/ The principal complaint was that the licenses often are issued too late for hotels and suppliers to avoid depletion of their stocks. It could not be determined whether this was the result of administrative error or intent. In any case, it encourages use of domestic products. Hotel managers complained, like the retailers, that import controls are increasing the market power of the importers and stimulate increases in importer-wholesaler margins and prices.



meet the industry's product quality, delivery, volume, price, and other requirements. That is, the future of the tourist industry market for imported foods depends, in some measure, on the rates of progress in Jamaican agriculture and food manufacturing, discussed elsewhere in this report.

### Shipping Services

Jamaica is served by 62 ocean shipping lines and 12 international airlines (6). Food importers expressed general satisfaction with existing transportation services. They displayed special interest in a comparatively new trailer shipping service which also should interest U.S. exporters.

Three shipping companies now operate five roll-on, roll-off trailer ships to Jamaica that together make three voyages a week. Two companies operate out of Miami, each providing weekly services to Kingston and Montego Bay. The third line operates out of New York and Philadelphia weekly to Kingston and the Dominican Republic. Two of the three services have been in operation less than a year and the other less than 3 years. The total weekly capacity of the ships is about 120 40-foot trailers plus small volumes of other cargo. The ships operate on fixed schedules and the service is dependable. The voyage from Miami to Kingston requires about 60 hours.

Importers using this "fishy-back" service praised it highly. Two declared that without it they would be importing less merchandise from the United States and more from other countries. Another told of his success in shifting his purchases of breakfast cereals from the U.S. manufacturer's Canadian plant to its Tennessee plant. The importer said he insisted on the change of origin to save over \$300 in freight charges and other costs per 40-foot trailer originating in Tennessee compared with conventional shipping out of Canada. Such a large saving may be unusual. Other importers mentioned savings averaging 10 percent and ranging from almost zero to \$9 a ton.

Agents of the trailer shipping lines quoted freight rates for dry cargo from Miami to Kingston at \$770 per 40-foot trailer (maximum load of 22 tons) and \$1,100 from New York. Rates on refrigerated trailers are higher. But good comparisons of freight costs between trailer and conventional services could not be obtained. The quoted rates are subject to negotiation. 26/

Most Jamaican importers prefer the trailer service over conventional shipping even when freight charges are about equal. Damage and pilferage losses are near zero in the trailer service. This saves money, including

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26/ The reluctance of shipping company agents to discuss rates or to provide comparative data on freight charges suggests that the quoted rates are not particularly meaningful. They may be no more than a starting point in negotiations between shippers and the shipping companies. Nor was it possible to obtain accurate comparative freight cost data from Jamaican importers. They had not attempted to control the many variables involved so that differences, if any, in charges could be attributed with certainty to the type of service used.

lower insurance costs, and eliminates the work and headaches associated with damage claims. Wharfage and transfer charges are lower on the trailers. Because trailers are moved directly from the ship to the importer's warehouse dock, handling costs are less. The price of the merchandise itself may be lower because the U.S. manufacturer avoids the higher expense of ocean packing compared with domestic packing permitted in trailer shipments. Finally, savings in the initial cost of the merchandise and in freight charges reduce the amount of duty the importer must pay. Most Jamaican tariffs are on the ad valorem, c.i.f., basis.

The trailer shipping service is, without doubt, an important advantage for U.S. exporters to Jamaica over other foreign suppliers to whom it is not available. Although Canadian exporters can move trailers by rail or highway to New York or Miami for transfer to the trailer ships, they are, as a rule, still subject to a shipping cost disadvantage compared with many U.S. food manufacturers. On some products, the reduction in total transfer costs on trailer shipments may offset the tariff advantage enjoyed by Canadian and other British Commonwealth suppliers. <sup>27/</sup> The preference margins on most goods are about 10 to 15 percent of the c.i.f. value. In short, expansion of the roll-on, roll-off trailer service from the United States to Jamaica may improve future export prospects for U.S. agricultural products other than bulk cargo items.

#### PROSPECTS FOR EXPANSION OF U.S. EXPORTS

U.S. exports of agricultural products to Jamaica rose rapidly from \$14.6 million in 1963 to \$29.1 million in 1968. They may increase another 25 to 27 percent in 1969. Prospects for further growth are dependent on several factors: (1) Increases in food demand in Jamaica resulting from future growth in population, tourism, and consumer incomes; (2) increases in outputs of Jamaican farms and food manufacturing plants; (3) changes in Jamaican restrictions and tariffs on agricultural imports; and (4) changes in the competitive situation between U.S. and foreign suppliers in the Jamaican market, including the potential trade creating and diverting effects of the Caribbean Free Trade Association Agreement. Each of these possible sources of change in U.S. export prospects deserves careful examination.

#### Food Consumption

Food consumption in Jamaica is likely to increase significantly in the years ahead in response to increases in population, incomes, and tourism. In addition, food purchasing patterns will continue to change as Jamaican consumers upgrade their diets and become increasingly urban. Population growth may be near 1.6 percent a year barring unexpected changes in birth

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<sup>27/</sup> The shipping company agents noted that freight charges on northbound traffic are much lower than on southbound shipments because about half the trailers are returned to the United States empty. An increase in northbound traffic could permit lower rates on shipments to Jamaica. The agents also mentioned that they have not yet succeeded in acquainting many U.S. food manufacturers with essential information about the trailer service.

rates and net emigration. On this assumption, the 1968-75 population increase, including expected increases in the tourist population, will be about 13 percent.

As noted earlier, Jamaica's per capita GNP rose, in constant prices, about 2.4 percent a year from 1959 to 1968. Future income growth also is likely to be close to this rate, which in combination with expected population growth, yields an estimate of growth in Jamaica's GNP of 4 percent a year, in constant prices. With an income elasticity of food demand in Jamaica of about 0.4, the annual growth in per capita food expenditures, in constant prices, is about 1.0 percent. 28/ For 1968-75, this is a growth of 7.2 percent. Thus, the estimated increase in total food consumption for 1968-75 is about 21 percent ( $1.13 \times 1.072$ ).

Although the accuracy of these estimates is not determinable, all the businessmen, Government officials and economists contacted in this study seemed confident of continued rapid economic growth in Jamaica. Rapid expansion in manufacturing, construction, and tourism is considered particularly likely and significant for economic development.

With rising incomes and food expenditures come significant changes in diets and food purchasing patterns. In recent years, as shown in table 2, Jamaican consumers have shifted their pattern of food expenditures toward more meat, dairy products, and eggs. They have shifted away from root crops, bread, and fish. Leading Jamaican food distributors say that consumers also are shifting from staples to convenience foods. The growth of supermarkets and superettes and personal observation of store displays of modern convenience food products support this claim. Another bit of supporting evidence is an apparent decrease in employment of domestic servants in Jamaican households. 29/

The number of licensed automobiles increased from 31,248 in 1959 to 54,159 in 1967 (7). In 1966, an estimated 58,000 households, or about 12 percent, had a refrigerator, and over 55 percent had one or more radios. These numbers probably are considerably higher now. 30/ Household use of electricity and numbers of installed telephones also are rising (4). Trade sources indicate that the number of married women gainfully employed and the number of families with "double" incomes are increasing. These trends are related

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28/ This elasticity estimate is based on findings of a study by the Food and Agricultural Organization (1). It also seems reasonable on the basis of elasticity estimates for other developing countries with per capita incomes close to Jamaica's. If the elasticity estimates were as low as 0.35 or as high as 0.45, the estimate of 1968-75 growth in per capita food expenditures would be affected only moderately. Instead of 7.2 percent, the range would be 6.2 to 8.0 percent.

29/ From 1959 to 1968, consumer expenditures for domestic service, in constant prices, decreased about 12.5 percent (7), (4).

30/ Jamaica imported 9,314 refrigerators in 1967 (8), and in 1968 a Jamaican firm began assembly of refrigerators under license from a major American manufacturer.



Table 2.--Distribution of consumer food expenditures by major food groups, Jamaica, 1959, 1963, and 1968

Food group	1959	1963	1968
		Percent	
Bread and cereal, including rice .....	24.2	22.8	22.0
Meat .....	16.7	18.4	18.3
Fish .....	8.8	8.4	7.4
Milk, cheese, eggs, and butter .....	12.5	14.1	16.5
Oils and fats .....	4.1	3.8	3.8
Fruits, vegetables, and pulses .....	16.9	16.7	16.2
Root crops .....	9.2	6.5	7.1
Sugar preserves, confectionery .....	4.4	6.1	5.1
Coffee, tea, cocoa, and herbs .....	2.2	1.9	1.9
Other foods .....	1.1	1.4	1.8
Total .....	100.0	100.0	100.0

Source: Computed from data in (7) and (4).

to increasing use of household appliances and declining employment of domestic servants. In other words, Jamaica displays all the signals of rising levels of living and movement toward the food consumption and family living patterns of the developed nations. The changing structure of food demand has much significance for modern food manufacturers supplying the Jamaican market, including U.S. manufacturers of convenience foods. Demand for these products undoubtedly is increasing more rapidly than total demand for food. This raises the question of whether the increasing demand for convenience foods will be supplied from imports or from domestic production.

#### Jamaican Agricultural Prospects

Jamaica's climatic and soil conditions permit production of a wide range of tropical and Temperate Zone crops and livestock. Agricultural expansion and development, especially larger outputs of food for domestic consumption, are a major goal of the Government. Nevertheless, the recent record of performance of Jamaican agriculture ranges from brilliant to seriously disappointing. In comparison with other major economic sectors, agriculture definitely is not a star performer.

Total agricultural output during 1954-66 increased about 35 percent, or approximately 2.5 percent a year (2). Per capita production, however, rose only 9 percent, or slightly over 0.6 percent a year. This modest expansion in per capita output apparently was well below the increase in per capita food consumption. Imports, which supplied about 20 percent of Jamaica's

food requirements in 1950, had 30 percent of the market in 1960 (3). The import share today probably is moderately above 30 percent, and prospects for reversing the trend are not bright except for a few farm products.

Within domestic agriculture, the broiler industry undoubtedly has the best performance record in terms of increases in output and modernization of production and marketing methods. 31/ From 1964 to 1968, broiler production jumped from 10.4 million to 21.8 million pounds (eviscerated weight). This modern, integrated industry is continuing to expand rapidly, and Jamaica is now nearly self-sufficient in broilers. Further expansion may threaten U.S. exports of frozen chicken backs and necks, low-priced products that are popular with low-income Jamaicans. 32/ The commercial egg industry in Jamaica is also expanding rapidly as it adopts modern production and marketing techniques. Jamaica is now self-sufficient in table eggs, at a low level of consumption, and egg production is likely to expand as rapidly as demand. Furthermore, the poultry industry appears to be approaching the size and modernization of structure essential for it to begin replacing imports of hatching eggs from the United States with its own production. On the other hand, there seems to be little prospect that Jamaica will produce turkeys, ducklings, and other poultry products.

Among other livestock products, pork is rapidly increasing in output. Production rose from 8.2 million pounds (carcass weight) in 1964 to 10.8 million pounds in 1968. Jamaica is now self-sufficient in fresh pork. Mutton and lamb production in the same period rose from 5.2 to 6.2 million pounds. Milk production increased only moderately despite a vigorous, costly, and only modestly successful effort by the Government to establish about 60 modern dairy farms. Beef production remained unchanged, or fell slightly. 33/

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31/ Domestic agriculture is defined here to include all of agriculture other than the major crops produced primarily for export. On the whole, the export segment of Jamaican agriculture has grown more slowly than the domestic portion. This is in line with the main goals of Jamaican agricultural policy.

32/ Whether this happens depends on at least 2 factors. One is the availability of a market in the tourist hotels and among high-income families for chicken breasts, thighs, and legs, giving the domestic industry a supply of the necks and backs to sell at prices low enough to compete with the U.S. product. In mid-June 1969, one Kingston importer reported that his delivered cost of U.S. chicken necks and backs was 8.5 cents a pound. The product was selling in Kingston supermarkets at 24 cents alongside domestic whole chicken broilers priced at 42 cents. Another factor is the willingness of the Government to extend its ban on imports of chicken meat to include these low-priced chicken parts to aid the domestic poultry industry at the risk of raising prices of a product purchased almost exclusively by low-income consumers.

33/ These estimates obtained from the Ministry of Agriculture must be treated with some caution. They may understate actual production, particularly the outputs on small, subsistence-type farms and in the backyards of many city homes. In some sections of Kingston, foraging goats and pigs are numerous. One indication of this underestimation is that reported marketing of hides and skins exceed reported number of slaughtered animals.



In the years ahead, increases in pork production are likely to keep pace with rising demand. Imports, therefore, are likely to decline. U.S. exports of salt pork to Jamaica also will be adversely affected by rising consumer incomes even if Jamaican restrictions on imports of pork products are relaxed. Milk production is expected to rise rapidly enough to supply Jamaica's growing market for fresh milk and the stable-to-declining market for condensed milk. Jamaica, however, is unlikely to produce butter or cheese, and the ingredients needed for domestic production of ice cream and other dairy products probably will continue to be imported.

Beef production also probably will rise in the years ahead, but this is not likely to affect beef imports from the United States and Canada. From interviews with the leading Jamaican producers, 34/ it appears that little of the Jamaican beef will have the quality of North American beef imported for the tourist hotels. Jamaican beef will compete, as now, in retail channels with beef imported from Australia and New Zealand.

Jamaica has made substantial gains in production of many fruits and vegetables. These include dry beans and peas, cabbage, carrots, sweet corn, cucumbers, dasheens, lettuce, onions, peanuts, pineapples, plantains, potatoes, sweet potatoes, pumpkins, tomatoes, turnips, watermelons, and yams. In contrast, production of corn and rice has fallen in recent years. Imports, as a result, have increased.

The long-term outlook for Jamaican agriculture, according to Government officials, agricultural economists, and leaders of Jamaican agriculture and industry, is that, with a few exceptions, farm outputs will not increase enough to reverse the rising trend in food imports. One reason for this judgement is expectation of rapid growth in food consumption resulting from rising consumer incomes. Other reasons are the difficult problems involved in expanding outputs and increasing the productivity of the domestic segment of Jamaican agriculture.

As in many developing countries, Jamaican farms are sharply divided between a few modern, large-scale enterprises producing primarily for export and the many small, frequently semicommercial farms producing food for domestic consumption. Since Jamaican agricultural policy seeks to maintain outputs of the traditional export crops, expansion of outputs of commodities needed for the growing domestic market must come from the domestic segment, where the difficulties are more severe.

The problems are much the same as those Finner (3) outlined nearly a decade ago. (1) Most of the best agricultural land is now devoted to export crops. (2) Most of the owners of the large estates seem to feel that their earnings will not be improved by shifting part of their resources to production for the domestic market. (3) The farms producing food for domestic consumption are mostly small and diversified. Many are located on steep hillsides and in the island's backlands. (4) Yields and labor productivity

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34/ They include the bauxite mining companies. They have large areas of land which the Government requires the companies to use for agricultural purposes until mining operations actually are started.

are low, and marketing conditions are adverse. The diversity and small scale of production and limited mileage of good roads work against efficiency in assembly of products, improvement of product quality, and increases in resource productivity. (6) Lack of communications in rural areas, low levels of literacy, and limited numbers of experienced extension workers hamper efforts to inform farmers about market prices and requirements and improved production and marketing methods. And (7) the low social status of peasant agriculture stimulates the most capable rural young people to seek more attractive urban employment.

In addition to these problems, the Government continues to experience difficulty in organizing to implement its agricultural policies and to determine the relative importance of its economic and noneconomic goals for agriculture. There is the continuing shortage of essential professional and administrative personnel. In February 1969, the former Ministry of Agriculture and Lands was divided into the Ministry of Agriculture and Fisheries and the Ministry of Rural Land Development. Thirteen new land authorities are being established to replace the present two in a national program of agricultural resources development. But many organizational and personnel training and recruitment problems must be solved before the new ministries and authorities will be functioning at their planned scale and effectiveness.

In summary, the main developments and trends in Jamaican agriculture seem likely to allow further increases in U.S. agricultural exports to the island, with some important exceptions. These include fresh and processed vegetables, dry beans and peas, pork and pork products, chicken meat, and eggs. Exports of corn and rice as well as commodities not produced in Jamaica, such as wheat and feedstuffs, are likely to rise.

### Food and Feed Manufacturing

Food and feed processing in Jamaica, exclusive of sugar, rum, and molasses manufacturing, continues to expand and to maintain its historical share of about 20 percent of the growing manufacturing sector of the economy. The product-byproduct impacts of this expansion on U.S. food and feed exports are likely to be quite diverse. But assuming continuance of current import policies, expansion will shift the pattern of U.S. agricultural exports toward basic commodities. This trend, however, is not completely adverse to the interests of U.S. agriculture. Industrialization of the Jamaican economy contributes to general economic growth and rising consumer expenditures for food. This, in turn, increases manufacturers' demands for raw materials, for which the United States is a leading supplier in world markets.

As indicated earlier, the number, capacity, and outputs of Jamaican feed mills are increasing rapidly to meet Jamaica's expanding needs for prepared poultry and livestock feeds. Jamaica, however, can produce only a fraction of the feed grains and feedstuffs needed for these complete feeds, and U.S. exports of corn, oilseed meals, and other basic feedstuffs are rising. <sup>35/</sup>

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<sup>35/</sup> The feed mills can utilize the small quantities of byproducts from domestic flour milling, copra processing, and citrus fruit canning and juicing operations.

As poultry and livestock production in the island rise, U.S. exports of feed grains and feedstuffs are likely to rise more than shipments of prepared feeds decline, both in tonnage and value.

The opening of the flour mill in 1968 seems to have had net benefits for U.S. wheat exports. About half the mill's purchases of wheat are made in the United States, while its flour output replaces imports that formerly came mainly from Canada. <sup>36/</sup> Similarly, expansion of Jamaican manufacturing of margarine, salad oils, and other vegetable oil products is increasing Jamaica's imports of crude and semiprocessed vegetable oils, particularly soybean oil. The United States is the primary supplier of these raw materials, but it has not had a large share of the related consumer products market.

In contrast, growth of the Jamaican fruit and vegetable canning and freezing industry has the potential for seriously reducing U.S. exports of canned and frozen fruits and vegetables to Jamaica. Expansion of the Jamaican industry stimulates domestic production of the essential raw materials by developing a relatively new domestic market. These, of course, are related aims of Jamaican agricultural and industrial development policy. The industry, because of insufficient domestic supplies of fruits and vegetables for processing, must import large volumes of semiprocessed products. Examples include fruit concentrates, tomato pastes, and frozen vegetables in bulk. The general outlook is for declining imports of both consumer products and semi-processed items. Some exceptions are baby foods, breakfast cereals, and pet foods, all of which are high-growth items in the Jamaican market. <sup>37/</sup> Other exceptions of some significance include such canned fruits and juices as apples, peaches, pears, apricots, cherries, and grapes. These Temperate Zone fruits are not likely to be produced for processing in Jamaica.

In summary, expansion of food and feed manufacturing in Jamaica seems certain to alter the pattern of Jamaican imports toward a greater share of basic agricultural commodities. The total impact on U.S. agricultural exports, however, may not appear adverse, with some noteworthy exceptions, because of rising consumer demand and the strength of the United States in international markets for basic farm commodities.

### Import Restrictions

Jamaica adopted a policy of high and increasing protection of domestic industries in 1964 to correct an adverse balance of payments situation, to promote rapid expansion of outputs in agriculture and manufacturing, to stimulate private investment and economic development, and to reduce high levels of unemployment. Jamaica has high tariffs on most consumer goods and

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<sup>36/</sup> Because the flour mill produces only 1 type and quality of baking flour it does not affect Jamaica's imports of flour for sale in stores and for manufacturing products other than bread.

<sup>37/</sup> For several technical and economic reasons, these and some other manufactured foods are not likely to be produced in Jamaica. The principal economic reason is that the market is too small for profitable domestic manufacturing.



a growing list of nontariff restrictions on imports of food and other products. 38/ Both Jamaican and foreign investors in new food processing enterprises have assurance that the domestic market for their products will be fully protected. Therefore, as food manufacturing expands, the list of protected commodities will become longer.

On the other hand, this policy of protection of domestic agriculture and industry may be modified slightly. Although import restrictions raise domestic prices and stimulate investment and production, they also have some undesirable effects. A high-price policy is inflationary. It is less conducive than price stability to efficiency in production and to maintenance of competitive prices in the important export and tourist industries. The economic conflict between the need for incentives to farmers and manufacturers and for low consumer prices is also becoming an increasingly sensitive political issue. Both political parties depend heavily for support on urban as well as rural voters. Leading businessmen interviewed in this study doubt that present restrictions on imports of products consumed in large quantities by low-income families (salt pork, for example) can be maintained. Therefore, they expect that licenses to import these officially prohibited products will be issued often enough, as now, to hold price increases within limits that the Government considers tolerable. This statement may explain, in part, the continuing inflow of some officially prohibited imports such as pork and pork products. 39/ All of this leads to the conclusion that while the nature of the official trade policy is as clear as it is protective, the flexibility utilized in its implementation gives rise to considerable uncertainty for importers and exporters. This situation is further confused by the recent entry of Jamaica into the Caribbean Free Trade Association, discussed later in this report.

### U.S. Competitive Position

The U.S. share of Jamaican imports has been rising in both agricultural and nonagricultural commodities. From 1962 to 1967, the U.S. share of Jamaica's agricultural imports increased from about 33 percent to about 45 percent. Since gaining independence in 1962, Jamaica has shown an increasing preference for goods from the United States and other dollar-area countries, which also are Jamaica's main export markets. In 1963, the United States replaced the United Kingdom as Jamaica's major trading partner (5). Several factors may explain these shifts in trade relations.

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38/ A copy of the list of nontariff restrictions on food and other farm products, effective in June 1969, can be obtained by writing the authors c/o Economic Research Service, U.S. Dept. of Agriculture, Wash., D.C. 20250. Many foods are subject to tariffs of 16.5 to 33 percent of the c.i.f. value and some rates--for example, those on baby foods--are as high as 53 percent.

39/ Although Jamaica officially prohibited imports of pork and pork products in 1969 but not in 1968, U.S. exports of these items in Jan. through May 1969 were \$381,348, against \$302,511 in the corresponding 1968 months.

One is the improvements, mentioned earlier, in transportation services between U.S. east coast ports and Jamaica. These improvements help to offset the preferential tariff margins, averaging 10 to 15 percent of product values, favoring goods of British Commonwealth origin. Another factor is the growth of domestic food and feed manufacturing coupled with the strong U.S. position in world markets as a supplier of basic agricultural commodities such as food and feed grains and vegetable oils, oilseeds, and meals. A third factor of some importance may be the increasing numbers of American tourists to Jamaica and of Jamaicans travelling to the United States to work for varying periods of time. Then there is the growth of American investments in Jamaica's tourist, bauxite, and manufacturing industries. Finally, with rising incomes and education, more and more Jamaicans are gaining a greater awareness of the world. Whatever the reasons, the postwar trend is clear. The United States is increasing its share of Jamaica's imports and this trend seems likely to continue in the years ahead. At the same time, the pattern, or mix, of exports is likely to become increasingly concentrated in the basic commodities. These conclusions, however, are subject to certain reservations.

One is the customary proviso that U.S. food and agricultural commodities remain competitive in world markets. Another reservation stems from the uncertainties, mentioned above, about the future course of Jamaican trade policy both as it is officially developed and declared and as it is actually administered. Finally, there are the potential trade creating and trade diverting effects of the relatively new Caribbean Free Trade Association (CARIFTA).

#### Caribbean Free Trade Association

CARIFTA was established in July 1968, and Jamaica became the ninth member country a month later. <sup>40/</sup> The Association Agreement, modeled on the European Free Trade Association Convention, expresses the member countries' aspirations for full and efficient employment of human and other resources, improved living standards, broadening of markets, and rapid and sustained economic development (1). The primary means for achieving these goals through CARIFTA is the removal of tariff and nontariff barriers to trade among the member states. On coming into effect, the Agreement eliminated all intra-Area tariffs except for a few products for which the Agreement sets forth 5- and 10-year tariff elimination schedules.

Two features of the Agreement have more than passing interest to U.S. exporters of agricultural commodities. One is the Basic Materials List of 73 commodities. They are given special treatment under the Agreement in intra-Area trade when they are used in the manufacture of other goods. A product is defined to be of Area origin and entitled to duty-free movement within the CARIFTA Area if at least half of its value has been added (created) in the Area. However, the value of the raw materials in the List, regardless of origin, may be counted as being of Area origin. This does not mean that

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<sup>40/</sup> The other countries are Antigua, Barbados, Dominica, Grenada, Guyana, St. Kitts, St. Lucia, and Trinidad-Tobago. Together, the CARIFTA countries have a population of about 4.5 million and a GNP of about \$16,800 million (4).

the CARIFTA Agreement eliminates any member state's tariffs on these basic materials imported from a non-CARIFTA country. Nor does the Agreement eliminate Jamaica's tariff preferences on British Commonwealth goods. Therefore, the Agreement does not improve the U.S. export position on any of these basic materials in the Jamaican market. 41/ It can have only an indirect effect on U.S. exports to Jamaica resulting from an increase in Jamaican exports, to another CARIFTA country (or the reverse trade flow), of products manufactured from one or more of these materials. This indirect effect is likely to be small.

However, Jamaica, only 2 days after her entry into CARIFTA, unilaterally reduced her tariffs on a number of commodities to zero, if they are imported for manufacturing purposes. These are the raw materials, including some on the Basic Materials List, needed by Jamaican manufacturers to produce goods falling in 41 product classifications. The action was taken because Trinidad allows duty-free entry of these raw materials and because, therefore, Jamaican manufacturers would have difficulty competing with manufacturers in Trinidad and Tobago in intra-Area trade in the manufactured products. The manufactured goods for which duty-free imports of essential raw materials are now allowed include beverage powders, flavoring essences, soaps and detergents, waxes, plastic products, leather and footwear, brooms and brushes, adhesives, spices and seasonings, essential oils, edible oils, paint, cosmetics, and other products using a variety of nonagricultural raw materials. Duty-free entry of these raw materials for use by Jamaican manufacturers is expected to benefit U.S. exporters not only because of the tariff reductions but also because zero tariffs eliminate the British Commonwealth margins of tariff preference that previously affected trade patterns. 42/

Another feature of the CARIFTA Agreement is the Agricultural Protocol. It lists 22 farm products which the nine member nations mutually agree not to import from non-CARIFTA countries as long as any one member country has a surplus available for export. 43/ The intent of the Protocol is import protection or mutual self-help, depending on one's viewpoint. But whether the Protocol will have much effect on trade within the CARIFTA Area and with other countries is highly problematical. The CARIFTA countries produce many of these commodities in the same seasons and, therefore, tend to experience shortages and surpluses together (11). They have difficult problems of inter-island transportation and they must develop an effective CARIFTA market news

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41/ These conclusions were carefully checked with and confirmed by a senior official of the Jamaica Ministry of Trade and Industry in an interview with the senior author.

42/ Unclassified Airgram from American Embassy, Kingston, to U.S. Dept. of State, A-320, Aug. 26, 1968, including a special notice of the Jamaican Ministry of Trade and Industry, Aug. 3, 1968.

43/ The commodities are carrots, peanuts, tomatoes, red kidney beans, black pepper, sweet pepper, garlic, onions, white potatoes, sweet potatoes, string beans, cinnamon, cloves, cabbage, plantains, pork and pork products, poultry meat, eggs, okra, oranges, pineapples, and pigeon peas.



service to give the Protocol practical significance. 44/ In short, the Protocol for some time to come will be more an expression of hope than a force affecting trade.

Finally, CARIFTA seems likely to have little effect on Jamaica's international trade relations at least for some years to come (4). Intra-Area trade is small relative to the member nations' total foreign trade. In 1967, only 1.2 percent of Jamaica's imports came from other CARIFTA countries and only 1.4 percent of her imports went to them (8). The present trade patterns of the CARIFTA countries reflect a centuries-old orientation of the several economies to markets in the United Kingdom and other developed nations and the corresponding development of shipping services. Much time will pass, many difficult problems must be overcome, and major changes in the structure and orientation of the CARIFTA economies must be made to effect significant changes in the CARIFTA nations' external trade patterns.

#### PROMOTING AGRICULTURAL EXPORT EXPANSION

The general outlook for expansion of U.S. agricultural exports to Jamaica is excellent. The prospects for increases in exports of basic materials are particularly favorable. As discussed previously, growth of the Jamaican food and feed manufacturing industries and Jamaican import restrictions on consumer goods are shifting the pattern of agricultural exports toward the basic commodities. Actions the United States and individual U.S. exporters can undertake to alter these trends and to promote further expansion of total U.S. agricultural exports to Jamaica are limited, but important.

#### Few Benefits From Promotions

Jamaican food importers and retailers were nearly unanimous in expecting limited benefits to them and the United States from such promotional activities as food fairs or instore promotions. 45/ They declared that among Jamaican consumers American products enjoy a high reputation for excellence. American goods generally are the standards against which domestic and other foreign products are evaluated. More significantly, the primary deterrents to expansion of sales of U.S. food products in Jamaica cannot be overcome by education and product promotions. The main deterrent is the import quotas on many consumer products. Furthermore, any benefits of a successful promotion

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44/ J. P. Gyles, Jamaica's Minister of Agriculture, has stated that the CARIFTA "region as a whole is a net importer of the following items covered by the Protocol--peanuts, red kidney beans, black pepper, garlic, onions, irish potatoes, cloves, and eggs...The chief hindrance to trade between Jamaica and the rest of the Area is the lack of adequate...shipping at reasonable prices (11, p. 4)."

45/ With obvious hesitation, the distributors questioned directly on this point mentioned as instore promotion possibilities only a few products: pickles, snack foods, baby foods, pet foods, and such Temperate Zone products as canned peaches, pears, apricots, and cherries.

of a product not now under quota could be cut off quickly if a Jamaican or foreign manufacturer undertook domestic manufacturing of the product. It probably would be added at once to the list of restricted imports.

Other major deterrents to expansion of sales of U.S. foods in Jamaica that cannot be attacked by promotional programs are high tariffs on some foods, tariff preferences for Commonwealth goods, and, in some product lines, high (noncompetitive) prices of U.S. merchandise. Finally, there is reason for concern, given the present rather nationalistic political-economic climate in Jamaica, that an officially sponsored or assisted U.S. promotional effort, except with the tourist industry, would not be favorably received. The present large gap in the balance of trade between the United States and Jamaica does not seem to warrant, in the eyes of many Jamaicans, any effort to widen it.

These considerations raise doubts about the value of a U.S. trade fair or in-store promotion designed to expand U.S. exports through persuading Jamaican consumers, retailers, and importers to buy more American food products. On the other hand, few of these considerations are applicable to promotions restricted to the Jamaican tourist industry. The industry is exempted from many of the import restrictions, and a limited educational and promotional effort in the major tourist hotels and restaurants could produce increased sales of a few U.S. food products. These include fresh beef and poultry meat (other than chicken) and several other high-quality foods. Accordingly, the study team suggests a strategy of (1) leaving the promotion problem largely in the hands of the private retail-wholesale trade where it is now, (2) experimenting with a limited USDA-industry cooperative promotional effort in the tourist industry, and (3) exploring other approaches to the export expansion objective.

#### Alternative Courses of Action

Expansion and improvement of the comparatively new roll-on, roll-off trailer shipping services from the United States to Jamaica, as noted earlier, would improve the competitive position of many U.S. products in the Jamaican market. Jamaican importers like the service, but some of their U.S. suppliers are either less aware of the potentials for sales expansion that the service offers or have difficulty changing established business practices. Accordingly, there may be merit in an educational effort among U.S. exporters of general cargo-type products to Jamaica on the advantages and availability of the roll-on, roll-off trailer shipping service.

Another area of action relates to modifications of Jamaican trade policy and administration of import controls. <sup>46/</sup> One needed change is greater selectivity among the products subject to import quotas. Examples of the need for selectivity are numerous. One case is the prohibition on imports of all pork and pork products in the face of a domestic pattern of consumption of pork products that differs sharply from the production pattern of the

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<sup>46/</sup> This statement does not in any way imply approval of Jamaica's highly nationalistic and protectionist trade policy.

domestic industry. Low-income consumers want to buy, for example, more salt pork than Jamaican hog producers can supply. Another case is the prohibition on imports of all frozen vegetables except the bulk imports needed by Jamaica Frozen Foods, Ltd. This Government-owned plant, however, can repackage only frozen vegetables of the free-flowing type. The result is that Jamaican consumers cannot buy such frozen vegetables as asparagus, cauliflower, brussels sprouts, and others that would be seriously damaged in the repackaging operation. A third case is the zero import quota for baking flour for bread. Jamaica Flour Mills, Ltd., produces only one baking flour. As a result, Jamaica's largest bakery had to halt production of its lower priced line of bread when the flour mill opened in mid-1968 and the import ban became effective. The bakery also complained that its costs of ingredients and operations are increased by the ban on imports of eggs other than hatching eggs. There is no domestic source of frozen or dried eggs in Jamaica. 47/

Improvements in administration of the import quotas could facilitate orderly trade. Importers, retailers, and hotel managers frequently mentioned the confusion and loss of sales resulting from inability to obtain import licenses in time to prevent complete exhaustion of supplies. Delays in customs inspection often contributed to this problem and to increased importers' hauling and storage costs. Retailers and hotel managers were also highly critical of the practice of allotting import quotas almost exclusively to established importers. The result, say the hotel and store managers, is a noticeable widening of importer-wholesaler margins and a lower quality of wholesaling services.

Finally, reduction of some Jamaican tariffs could have significant impacts on U.S. food product exports and, at the same time, could contribute to a reduction in the strength of inflationary forces in the Jamaican economy. One of many examples is the 53-percent rate on baby foods. These products, according to retailers and importers, are no longer a luxury, make a desirable contribution to infant nutrition and health, and probably will not be produced in Jamaica. There are also high tariffs on many other foods that will not be produced in Jamaica either because of the small dimensions of the market or the absence of a suitable domestic supply of raw materials. Some Temperate Zone canned fruits and ready-to-eat breakfast cereals are cases in point.

In this study, no attempt was made to estimate the potential effects of some of these suggested courses of action on U.S. food product exports. However, the business leaders contacted in this study seemed certain of the merits of attempting to obtain the changes mentioned above. They were confident that success would increase their sales and, therefore, U.S. agricultural exports to Jamaica. Jamaican consumers would benefit, too.

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47/ The bakery is giving careful consideration to establishing an integrated egg production and freezing operation to meet its needs for a supply of frozen eggs.





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